16th Annual Report 1990

Seated (Left to Right)
Louis Balcaen, Chairman, District No. 8; Craig Finnie, Executive Member, District No. 3; Charles J. Knockaert, Vice-Chairman, District No. 4.

Standing (Left to Right)
James Wade, General Manager; Norman Andrew, Member, District No. 1; Allan Goresky, Member, District No. 5; Abram E. Ens, Member, District No. 7; Neil Van Ryssel, Member, District No. 6; Kenneth P. Leppky, Member, District No. 9.

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CHAIRMAN'S MESSAGE

As we enter the decade of the nineties, we are faced with many complex issues. As the fall out from the Canada U.S. trade agreement (CUSTA) is starting to be felt, the present round of GATT discussions is causing grave concerns among dairy farmers. What is also occurring, at the same time, is a fast changing market place whose desire for less fat at a time when more of it is a part of the milk we produce, is translating into lower volume demand for milk. While those are perhaps the dominating issues, there are others just as important which have to be considered in shaping the dairy industry of the nineties.

The changing political landscape of eastern Europe is already having an impact on the international market.

Environmental concerns and food safety are also issues which will bring pressure on our agricultural sector.

During the last year the Federal Minister of Agriculture has launched a most comprehensive review of agricultural policy under the title of "Growing Together". As part of that review, a Dairy Task Force has been named and its mandate, principally, directs it to review all aspects of the present dairy policy and make recommendations to the Minister during the spring of next year.

At the same time, our processing sector is also undergoing some significant change. As mergers occur and companies buy others out to solidify their position, there is more pressure on the producer. Competition from other products is also a factor.

As some provinces have already started doing, the Manitoba dairy industry will have to work together in order to secure a solid future for all its stakeholders. This will require the participation of all those who play a role. And there are many, from ourselves as producers, to processors, transporters and marketers. Our government has a role to play in allowing regulations to be more market responsive in a changing marketplace. It will not be possible to answer those challenges unless everyone brings his contribution to the process.

I am confident that producers can answer the challenges of the nineties. They are willing to work with their partners in the industry to do it. We hope our partners will join us in working towards building a strong future dairy industry in Manitoba.

I wish all of you success in your endeavours. It has been a privilege to work on your behalf.

TRANSPORTATION

The 1990 Annual Report highlights the new era of bulk milk hauling in Manitoba with its feature cover photograph.

The Board would like to take this opportunity to extend its thanks to Manitoba's bulk milk drivers and transporters for the high calibre of service they continue to provide.

The provision of an efficient, reasonable cost system of transporting producers' milk from farm to processing plant continues to be a primary objective of the Board. During the past year the item of transportation occupied a sizable share of the Board meetings and proved demanding on many occasions.

Route Rationalization

As reported last year, the Board was at that time involved in a project which was designed to achieve significant savings in transportation through a computer-aided route rationalization and scheduling program. The testing and analysis phases of the project, as well as the training of Board staff, was concluded by the consulting firm in late December of 1989. In early January of 1990, the Board was presented with the consultant's report, which revealed that substantial savings in both money and equipment could be achieved if the recommendations of the consultants were implemented in entirety. The report recommended a very far-reaching route rationalization plan coupled with a major revision to the Transporter Payment Formula.

When consultations with transporters began regarding implementation of the proposed route rationalizations, many of them expressed grave concerns about certain aspects of the proposal, especially as to its practicality. At this point, the Board decided to embark on a process of negotiation and consultation with transporters to resolve the difficulties and to proceed with achieving the savings indicated without sacrificing quality of service required. In order to achieve progress, the Board has gone to great lengths to both alleviate and accommodate transporters' various concerns. At the time of writing, no firm target implementation date has been established, although the Board believes that much progress towards that end has been achieved in co-operation with the transporters. The Board is willing to continue consultations and negotiations regarding this project in order to reach a conclusion which would be acceptable to all concerned. It is hoped that the prevailing spirit of co-operation will continue to be an integral part of the process.

Transporter Payment Formula

Transporter rates were unchanged during the last year and this, in turn, allowed producer rates to remain unchanged during the same period. The consultant's recommended payment formula was accepted by the Board as being a progressive benefit to the process of determining rates paid to transporters. In light of the fact that a new formula was to be negotiated, transporters agreed to set aside any rate increase requests for a period of time. This was based on the understanding that the new rate formula would be implemented in the near future. This new formula is geared more to being responsive to

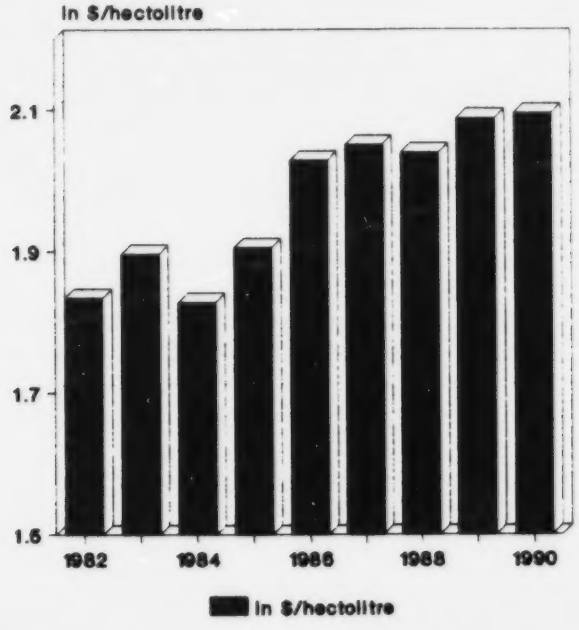
both individual transporters and individual routes. This is quite different from the current formula which is based on the use of averages of cost factors. The negotiations regarding the new formula are proceeding with only a few issues left unresolved at this time. Agreement by the transporters and the Board to a revised formula is expected in the near future, with implementation following shortly thereafter.

Transportation Costs

The decrease in volume over the previous year of over 9 million litres translated into a decrease in transportation costs of over $117,000. This 3.27% reduction in volume showed up as a 2.10% reduction in regular transportation costs. Diversion costs, on the other hand, were decreased some 25%, or equal to just over $35,000 for the year. The total transportation costs for the year decreased by over $152,000 or 2.66%; although the rate per hectolitre increased by just over one cent or 0.62%.

During the past year, the Board also contracted with four equipment dealers to provide farm bulk tank calibration service in many areas of the province. Their work continues to grow as the requirements for more calibrations escalate. There are now three plants in the province which purchase milk from the Board on the basis of their in-plant metering systems. The recalibration program will continue to be an important part of the Board's attempts to minimize variances between farm tanks and plant meters. This, along with the monitoring and verification methods employed, ensures that producers continue to receive fair and equitable payment for their product.

AVERAGE TRANSPORTATION CHARGES
For quota years 1982 to 1990 (inc)



BOARD / DISTRICT MEETINGS

During the twelve months ending July 31, 1990, a total of 18 regular meetings of the Board were convened. As a number of the meetings held were of more than one day's duration, in all, a total of 29 days were involved.

Many additional days of Members' time were taken up in attendance at meetings of the various committees of the Board and of other organizations with which the Board has an affiliation.

DISTRICT ELECTIONS

Nominations were called during October, 1989 for Board Members to represent Districts No. 3, 6, and 9. In District No. 3, C. Finnie was re-elected by acclamation, and in District No. 6, N. Van Ryssel was re-elected by acclamation. An election was called in District No. 9 and Mr. K. P. Leppky was elected for a three-year term.

During the year under review, Mr. J. van den Ham, District No. 2 Board member, tendered his resignation to the Board, effective June 19, 1990. An election was called with nominations to be submitted by July 11, 1990. No nominations were received at that time and therefore, nominations will be requested during October, 1990.

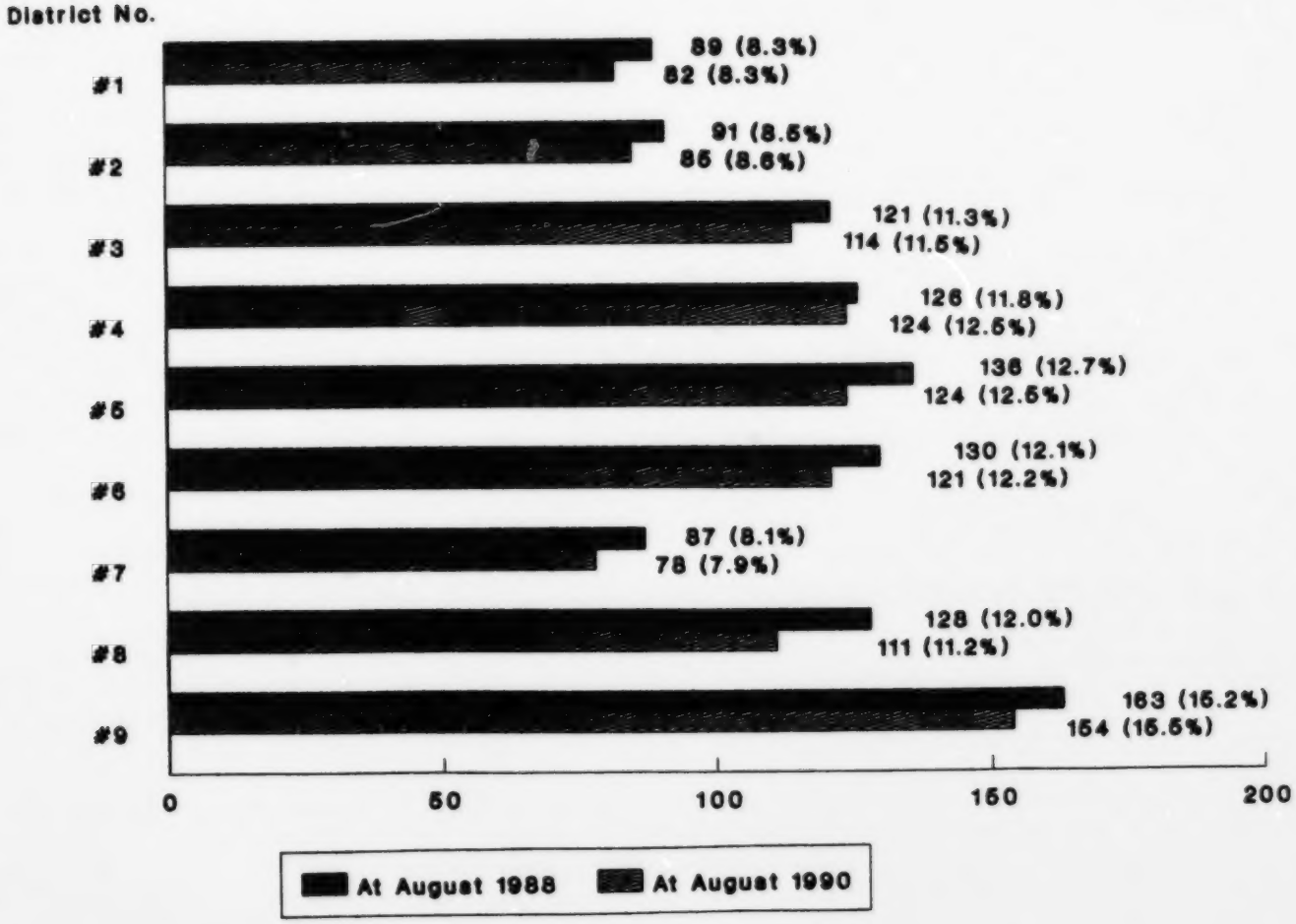
Elections are to be conducted this fall in District No. 1 (N. Andrew), No. 4 (C. J. Knockaert), and No. 7 (A. E. Ens).

DISTRICT MEETINGS

During the period April 2, 1990 through to May 1, 1990, a total of 21 meetings were held in the various milk producing areas of the province. In some districts entailing a larger geographic area, meetings were held at more than one location, but in any case at least one meeting was convened in each of the nine districts.

Pursuant to the Administration By-Law 3/89 of the Board, Annual District Meetings were conducted during the period October 1st to 31st, 1990. The Notice of meeting, which was mailed to all registered producers, is reproduced on the following page.

ANALYSIS OF PRODUCERS BY BOARD DISTRICTS
with counts/percentage comparisons.



NOTICE OF ANNUAL DISTRICT MEETINGS 1990

Annual District Meetings of The Manitoba Milk Producers' Marketing Board will be **held at 8:00 P.M.** on the dates listed below:

District 1	Monday October 15	DAUPHIN, Manitoba Manco Plant
District 2	Tuesday October 2	BRANDON, Manitoba Agricultural Extension Centre
District 3	Monday October 22	PORTAGE LA PRAIRIE, Manitoba Manitoba Inn, Portage Bypass
District 4	Thursday October 18	BRUXELLES, Manitoba Parish Hall
District 5	Monday October 1	TEULON, Manitoba Teulon-Rockwood Centennial Centre
District 6	Wednesday October 17	OAKBANK, Manitoba Kin Place
District 7	Tuesday October 16	WINKLER, Manitoba Senior Citizens Friendship Centre
District 8	Wednesday October 3	LA BROQUERIE, Manitoba Centre de L'amitie (97 Principale Street)
District 9	Thursday October 4	GRUNTHAL, Manitoba Green Valley School Library

ELECTIONS FOR BOARD MEMBER will be conducted this year in Districts No. 1, 2, 4 and 7. Official nomination papers are available on request from the Secretary or may be obtained at the time of the meeting in the districts in which an election is to be held.

The following subjects will be discussed plus any that you wish to raise.

1. Introduction
2. Minutes of Previous Meeting
3. General Agreement on Tariffs and Trade (GATT)
4. Butterfat Limitation Program
5. Dairy Task Force
6. Quota Outlook for 1990/91
7. Market Expansion Plans
8. Election of D.M.C. Members
9. Other Business

In the event it is inconvenient for you to attend the Annual District Meeting scheduled for your area, you are welcome to attend any other Annual District Meeting.

Dated at Winnipeg in Manitoba this 14th day of September, 1990.
THE MANITOBA MILK PRODUCERS' MARKETING BOARD
36 Scurfield Boulevard
Winnipeg, Manitoba R3T 3N5

Pursuant to Section 1 of this Administration By-Law, the following nine districts are established composed of the Municipalities hereinafter set out opposite the number of each district

District #1
Alonsa
Archie
Birtle
Blanshard
Boulton
Clanwilliam
Consol
Dauphin
Ellice
Ethelbert
Gilbert Plains
Glenella
Grandview
Hamiota
Harrison
Hillsburg
Lawrence
McCreary
Miniota
Minitonas
Minto
Mossey River
Mountain #1
Mountain #2
Ochre River
Odanah
Park 1
Park 2
Rosedale
Rossburn
Russell
Ste. Rose
Saskatchewan
Shellmouth
Shell River
Shoal Lake
Silver Creek
Strathclair
Swan River
The Pas District

District #2
Albert
Arthur
Brenda
Cameron
Cornwallis
Daly
Edward
Elton
Glenwood
Morton
North Cypress
Oakland
Pipestone
Riverside
Sifton
Wallace
Whitehead
Whitewater
Winchester
Woodworth

District #3
Cartier
Grey
Lakeview
Langford
Lansdowne
North Norfolk
Ptge.la Prairie
Westbourne

District #4
Argyle
Dufferin
Lorne
Louise
Pembina
Roblin
South Cypress
South Norfolk
Strathcona
Thompson
Turtle Mountain

District #5
Armstrong
Bifrost
Coldwell
Eriksdale
Fisher
Gimli
Grahamdale #1
Grahamdale #2
Rockwood
St. Laurent
Siglunes
Woodlands

District #6
Alexander
Brokenhead
Lac Du Bonnet
McDonald
Pinawa
Reynolds
Richot
Rosser
St. Andrews
St. Clements
St. Francois Xavier
Springfield
Victoria Beach
Whitemouth
Winnipeg Area

District #7
Franklin
Montcalm
Morris
Rhineland
Roland
Stanley

District #8
La Broquerie
Piney
Ste. Anne
Stuartburn
Tache

District #9
De Salaberry
Hanover

STANDING ADVISORY COMMITTEES

Executive: L. Balcaen, C.J. Knockaert, C. Finnie

Cost of Production
L. Balcaen, *Chairman*
C. Finnie
C.J. Knockaert
A.E. Ens

Cream Advisory
L. Balcaen, *Chairman*
N. Andrew
A. Goresky

Market Expansion
C.J. Knockaert, *Chairman*
N. Andrew
N. Van Ryssel
M. Adam
A.J. Gale
P. McCarthy Briggs

Finance
C. Finnie, *Chairman*
L. Balcaen
C.J. Knockaert

Multiple Component Pricing
L. Balcaen
K. Leppky
N. Van Ryssel

Processor Relations
L. Balcaen
A. Goresky

Transportation
L. Balcaen
A.E. Ens
C. Finnie
K. Leppky

Canadian Milk Supply Management
L. Balcaen
C. Finnie

Dairy Bureau of Canada
C.J. Knockaert

Dairy Farmers of Canada
L. Balcaen
N. Van Ryssel

Keystone Agricultural Producers
N. Van Ryssel

Manitoba Agricultural Employment Development
C. Finnie

Manitoba Milk Recording Corp.
N. Van Ryssel

NACDAI
N. Van Ryssel

ADVERTISING & PROMOTION

Overview of 1989-90
- all programs designed to present strong image for milk
- expenditures were budgeted within an adjustment for inflation

Research
- Goldfarb Image & Milk Attitude Study (used to plan advertising)
- Triangle (3 years) Attitudinal Study (used to understand consumer and plan marketing strategy)
- testing of television creative for new commercials before production
- Guelph University Study on Advertising Effectiveness (economic model)
- ongoing C.U.P. consumption data (650 samples of all ages record all beverages consumed daily)

Television - Fluid Milk Commercials
- "Maintain Your Cool" campaign continuing until December 1990.
- Fluid Milk Group has expanded to include Alberta, reducing production costs from 28% to 18%.
- new commercials for older market.

Radio
- December campaign on "Don't Drink and Drive"
- "Hot Chocolate Milk in Microwave" - January and February
- "The Cool Moo-ve" Restaurant Campaign, June - August
- city and rural stations purchased

Print - (Supports all activities)
- Hot Chocolate Milk (winter)
- "What's In a Name?" (nutrition theme)
- "I Invest In Life Every Day" (nutrition theme)
- "Maintain Your Cool"
- Milk's Super Seminar for Coaches
- Coach of the Year Awards Program
- "The Cool Moo-ve" restaurant promotion
- advertisements designed for newspapers, magazines and newsletters for all target groups.

Summer Media & Restaurant Promotion
- 3 months program (mid-May to mid-August)
- Major radio, outdoor board and bus shelter media campaign
- Table tents, posters, ballot boxes in restaurants
- Three staff members visited over 300 restaurants 6 times with information and prizes
- Incentive prizes for serving personnel
- Major cash prizes for winning milk drinkers
- Television and radio interviews of the staff throughout the 12 weeks

Milk's Super Seminar
- 6th annual major coaching education program
- attended by 475 coaches
- organized through a committee from the sport community
- sponsorship from Dairy Bureau, Manitoba High School Athletic Association, Manitoba Sport Directorate and Coaches Association of Manitoba
- coaches are key influencer in the community

Coach of the Year Award
- complements Milk's Super Seminar
- gives Milk a strong identity in sport community
- four categories of awards
- Mike Riley and Bob Murdoch have been actively involved in the program
- special committee selects the winners and plans the program

"Call Me Coach"

- Milk sponsored the development and printing of educational manual for 3-hour preparation course for new coaches at the community club level.
- Manual and course have strong milk presence.

High School Sport

- sole sponsor of the AAA High School Basketball which culminates in a 90-minute CBC Television replay of the championship finals.
- Milk sponsored a poster for Junior and Senior High Schools on Fairplay - "The Attitude Lasts a Lifetime"
- Milk sponsored a keynote speaker for a drug awareness program for representatives from the province's high schools.

Western Canada Games - 1990 Winnipeg

- Milk supports an annual major sport event where special recognition is given to athletes, coaches, officials and organizing committee.
- this year, 720 Manitobans were directly involved with Western Canada Games.

Television - Cooking Shows

- Marilyn Adam appears regularly on CKY and CKND with cooking segments.
- D.B.C. assists with funding these program costs.
- several hundred recipes distributed monthly.

Promotional Materials

- currently several thousand t-shirts have been made available to the public as walking advertisements for Milk.
- other smaller items are provided on request.

Radio

- Two 2-minute radio tapes are written and recorded each month for distribution to rural stations.

Miss Teen Winnipeg

- 90-minute live telecast - Milk one of four sponsors
- several events and receptions
- not included in 1991 plan

Fit Parade - T.V. Series

- One of four sponsors
- 30 minute fitness show with nutrition and grocery store tips
- 16 - 20 minute video will be made available to our Nutrition Education division

Cooperative Programs with Dept. of Agriculture Marketing Branch and other producer organizations

- Several mall promotions annually
- Brandon Winter Fair (6 days)
- Recipe book publishing annually
- Red River Exhibition (10 days)
- S.A.G. (Special Area Group for Physical Education teachers)

D.B.C. Projects

- Strawberries n' Cream Media Reception with Prairie Fruit Growers and Milk
- Chef de Cuisine Meetings and Cheese presentations
- Monitoring of all projects in the province, ie. "Lick the Heat" - Ice Cream promotion, "Butter It and Win" etc.

Major Meetings

- D.B.C. annual and semi-annual
- Fluid Milk Group (6 provinces) when required - about 5 meetings per year
- Regional Reps for D.B.C. at their 2 regular meetings and a planning meeting each summer
- Professional Organizations and Processor Liaison

New Programs

"Bridge Project"

- cooperative program of Nutrition Education and Advertising and Promotion departments with the mandate to capitalize on "Milk is a Food"
- press releases
- media interviews
- print advertisements
- milk carton ads
- "March Nutrition Month" activities
- special event with M.A.R.D. (Manitoba Association of Registered Dietitians)
- promotion of the workshop program nutrition education facilitates
- special emphasis on higher fat milks for pre-schoolers
- "Partners in Health" with the Department of Health in new print materials

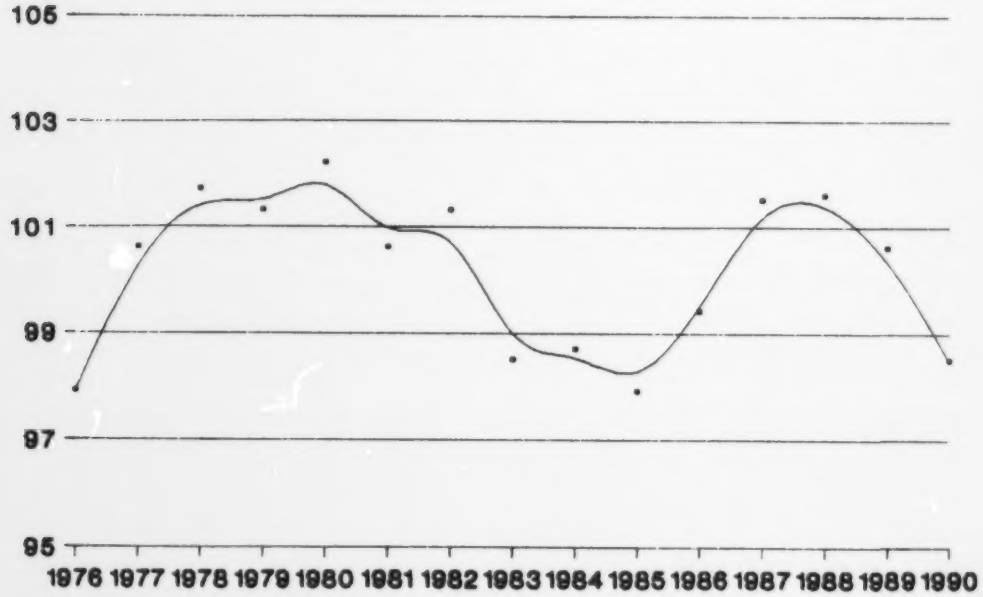
Prime Time T.V. Cooking Show

- all producer associations working with Videon and Department of Agriculture prepare weekly 30-minute show including two recipe segments, nutrition, fitness and grocery store tips. Milk has arranged for two shows in each 12-week series.

Daycare Promotion

- Cooperative program with School Milk and Nutrition Education
- recipe contest
- "The Cool Moo-ve" apron prizes
- distribution of our material on 2% and whole milk for pre-schoolers
- compile submitted tested dairy recipes for all daycares
- special opportunities for day care presence by Milk

MANITOBA PER CAPITA CONSUMPTION OF FLUID MILK FOR YEARS 1976 TO 1990



In litres per capita

NUTRITION EDUCATION

Changes in lifestyle, food trends and health messages provide a continuing challenge for our nutrition programs. The implementation of the Manitoba Education Health curriculum, the increased importance of geriatric care, nutrition misinformation in popular fitness literature, and the current emphasis on dietary fat reduction are only a few of the issues we deal with regularly.

Our nutrition education programs continue to focus on delivering sound, balanced nutrition education messages and resources to a wide range of health professionals - right from day care workers to those who provide for seniors. Our nutrition message ensures that milk is positioned as part of good eating throughout the lifecycle. During our inservices, health resource people and consumers alike realize that milk and milk products are not just food choices, but constitute one of the four food groups in Canada's Food Guide that must be consumed daily to ensure optimal health.

This year we have embarked upon two new education ventures:

1. The Milk Board has entered into a "partnership" with the Manitoba Fitness Directorate (government department) for the introduction and delivery of a nutrition/physical activity inservice program for grade 6 health teachers throughout Manitoba. The program is enthusiastically endorsed by the Department of Education. With a blend of balanced eating and activity, meshed with behaviour change techniques, this program is on the leading edge of health education concepts. Project APEX was developed by the Ontario Milk Marketing Board in conjunction with Participaction.

2. Most consumers are aware that a variety of Health Agencies are recommending reduced fat intake for improved well-being. Many consumers are also aware that dairy products contain varying levels of fat. Surveys in the U.S. have shown that consumers' methods of lowering dietary fat frequently include elimination of dairy products.

To deal directly with the fat issue, we have developed a workshop called "Fat Budgeting" (in concert with B.C. Dairy nutritionists). This program is designed to help consumers learn more about the need for dietary fat and to ensure they understand that a wide range of dairy products (including butter!) are **necessary** in a balanced diet. These materials and concepts will be used by a variety of health professionals in consumer education throughout Manitoba.

This dairy year will also see an increased working relationship between the Nutrition Department and Fluid Milk Promotion. As consumers currently seemed tuned to nutrition messages, the nutritious aspects of milk will be more widely used in the promotion of our product.

Consumer trends change from year to year. We attempt to stay abreast of change and ensure that The Manitoba Milk Producers' nutrition education programs continue to achieve their goal of increased fluid milk consumption by prioritizing dairy products as part of a balanced eating plan.

THE SCHOOL MILK PROGRAM

Elementary Program

The elementary program continued to grow this year with a 18.6% increase in the number of schools over 1988-89. There are now 242 schools registered on the elementary program - a 490% increase since the first year of the School Milk Program

"Stupandas Milk" was this year's theme and proved to be as successful as the visit from Rong Rong and Cheng Cheng at the Assiniboine Zoo. The Panda theme was well received by students and teachers, and the first 100 schools that registered received as a registration award, a book entitled "The Bamboo Bears" . All other schools received our Milk Carton Craft Book.

The program continues to run on a draw system in which all students who purchase milk at school, bring milk from home, or consume milk at home during lunch receive a ballot and their name is entered to win various prizes.

Prizes in this year's program included "Stupandas Milk" pens, erasers, scribblers, shoelaces, magic wands, note pads, key chains, badges and t-shirts.

In addition to the day-to-day contest, year end awards were given to the following schools:

Consumption Awards and Lucky Draws

Consumption Award Rural -
Poplarfield Elementary, Poplarfield
(Dairy Tasting Party)

Consumption Award City -
Greenway School, Winnipeg
(Dairy Tasting Party)

Lucky Draw -
Rivers Elementary, Rivers
(Dairy Tasting Party)

Lucky Draw -
Christ the King School, Winnipeg
(Refrigeration Unit)

Milk Co-ordinators Awards

The support of our Milk Co-ordinators is vital to the continued success of our program.

Each year several rural and city milk co-ordinators are presented with a special gift in appreciation for the efforts they extend on behalf of the School Milk Program. This year's awards were Milk clocks and Stupandas Milk sweatshirts.

Day Care Program

This year we did not offer a program for Day Cares. Plans are currently underway to develop a Day Care Program in co-operation with our Market Expansion Division.

Milk Spotters Program For Junior/Senior High Schools

The milk spotters program continues to attract a large number of participants. The last three years have remained constant at 182 schools, which is a 102% increase from the first year of the School Milk Program.

The scratch n' win tickets, given out to students spotted drinking milk, continue to be very popular. In addition, they provide an excellent method of randomly distributing the prizes so that the most desirable prizes are not given away first. This way, interest remains consistent until the last tickets are given out.

Students who are spotted drinking milk receive a scratch n' win card with a one-in-five chance of winning: calculators, pens, pencils, erasers, address books, pins, key chains, watches, clipboards, t-shirts, tank tops and sweatshirts.

The newest addition to this year's program was the "Acowdemy Awards" video contest in which schools were asked to submit a video no longer than 10 minutes. The ideas could be entirely their own, however, the theme was to be MILK. The quality of the videos submitted was excellent, and it was a difficult task to pick a winner.

1st Place Tie: $500 cash
Grant Park High School, Winnipeg
Spring Valley Junior High, Winnipeg

An honourable mention was given to Rivers School, Rivers Manitoba for their "Milk Rap Song" video. They were awarded with a directors chair.

Consumption Awards and Lucky Draws

Milk Consumption Contest (Product Donations)

City Winner - St. Charles Academy, Winnipeg
Rural Winner - La Verendrye School, Portage la Prairie

Lucky Draw (Kick-off Dance) - Grant Park High School, Winnipeg

Lucky Draw (48 Sweatshirts) - 8 awarded monthly to various students from all participating Junior/Senior High Schools.

Evaluation 1989-90

Evaluations are an important part of our School Milk Program and are an ongoing project. This not only permits us to maintain personal contact, but more importantly, it is the best way we can show participating schools that we care.

Elementary Evaluations

This year elementary schools were invited to participate in "The Case of the Missing School Milk Program". Principals, teachers and milk co-ordinators were invited to design their own School Milk Program. A director's chair was awarded to Ecole Notre Dame for the "Dairy Best idea".

Junior/Senior High Evaluations

This year's evaluation included a mail-in questionnaire - 62% of the questionnaires sent out were returned. This response alone communicates the commitment that students have for our program. In addition to the questionnaire, a selected number of city and rural schools were targeted for Evaluation Meetings to obtain more indepth information.

Through our evaluation procedures, the School Milk Program is ready for the Challenge of the 90's with a strong presence and a positive image in the Manitoba School System.

MARKET SHARE QUOTA

For the dairy year commencing August 1, 1989 it was estimated Manitoba milk producers could ship 722,611 litres of milk per day to utilize 100% of Manitoba's share of Market Share Quota (M.S.Q.).

T.A.P. 320,914 L fluid
401,697 L industrial
722,611 L T.A.P.

Active T.A.P. issued to producers remained unchanged as at August 1, 1989 (approximately 726,500 L).

The Quota policy, announced effective August 1, 1989, for the 1989/90 dairy year was as follows:

1. A 4% cover-off policy was guaranteed to November 30, 1989. This put an additional 9,713 L into the system over a 365 day period (29,060 litres daily for 122 days)
2. In-quota levy was reduced from $3.00/HL to $2.90/HL.
3. Over-quota levy was increased to $29.50/HL from $26.00/HL.
4. Producers were also advised there would be no refunds of over-quota levy after July 31, 1990.

The 4% cover-off policy guaranteed to November 30, 1989 was subsequently extended to January 31, 1990 and then terminated February 1, 1990.

Effective February 1, 1990, all provinces' M.S.Q. was reduced 3% for the 1989/90 dairy year due to forecasted decreases in domestic requirements of 5.4%. Active T.A.P. issued to producers was rolled back 2% February 1, 1990.

Manitoba achieved an In-Quota utilization of 100.13% for the 1989/90 dairy year.

Provincial M.S.Q. was reduced 3% commencing August 1, 1990 for the new dairy year 1990/91.

The T.A.P. base in Manitoba for the new dairy year commencing August 1, 1990 was estimated to be 696,853 litres per day.

T.A.P. 317,379 fluid*
379,474 industrial**
696,853 T.A.P.

*estimated fluid sales milk & cream plus
**5,152,510 kg at 3.720 kg/HL over 365 days.

The following quota policy was announced effective August 1, 1990:

1. Active T.A.P. issued to producers August 1, 1990 remains unchanged.
2. No cover-off policy.
3. In-quota levy was increased from $2.90/HL to $3.44/HL.
4. Over-quota levy was increased from $29.50/HL to $33.00/HL.

Producers were advised there would be no refunds of over-quota levies after July 31, 1991.

BUTTERFAT LIMIT PROGRAM (BLP)

The Board has developed a program intended to discourage the continued increase in the butterfat content of milk produced by Manitoba herds. The average butterfat content per HL of Manitoba milk production has increased again over the previous year.

The consumer demand for lower fat products has necessitated the program. As less and less butterfat is needed in fluid milks, cheese, salad cream, yogurt, ice cream, the "skim-off" of excess butterfat reduces the need for some of the milk volume presently being produced within our Market Share Quota (MSQ) allotment. If left unchecked, MSQ allotted to the provinces by the Canadian Dairy Commission (C.D.C.) will have to be reduced and the Board would then be obliged to reduce TAP held by our producers.

As of November 1, 1990, the Board will apply a penalty on any producer whose butterfat test has increased over his/her established base test.

The base test will be established by taking the higher of the producer's weighted average butterfat test for the last two (2) dairy years (1988/89 or 1989/90 dairy years).

Each producer will be allocated a monthly amount of KGS of butterfat based on his monthly allocation of TAP or his monthly production, whichever is less, at the base butterfat test. When the monthly allotments of butterfat (calculated using the test for the base year) are exceeded by year-to-date production in the current dairy year, a levy will be applied. Refunds will be made if butterfat year-to-date re-aligns itself with the base prior to year end.

The levy will be an amount equivalent to the current official C.D.C. over-quota levy divided by the standard butterfat test used for C.D.C. - MSQ calculations (3.6 KG/HL) ($33.00 per HL / 3.6 KG = $9.17 per KG). The dollars collected through such a levy will be placed in the Board's general reserve.

In-quota and over-quota levies presently collected and forwarded to the C.D.C. will continue to be applied in the same manner as at present. The Butterfat Limit Program (BLP) applies only if a producer's butterfat test **INCREASES** on a year-to-date basis over the base test set for that farm. Computer programs will be developed to show producers their position as the year progresses and to allow them to monitor changes as they occur.

ANALYSIS OF MILK QUOTA EXCHANGE PROGRAM
FOR AUGUST 1989 TO JULY 1990

DESCRIPTION	1989 AUG	SEP	OCT	NOV	1989 DEC	1990 JAN	TOTALS 1ST 6 MNTHS
LITRES OFFERED FOR SALE	6,809	7,641	9,562	7,147	3,736	5,816	40,711
LITRES SOLD (85%)	1,319	1,530	1,122	1,676	1,517	2,348	9,512
LITRES BID TO BUY	3,315	2,829	1,587	3,578	6,004	4,990	22,303
LITRES BOUGHT	1,451	1,624	1,066	2,043	1,447	2,360	9,991
NO. OF PRODUCERS OFFERING FOR SALE	14	16	20	16	8	15	89
NO. OF PRODUCERS SELLING TAP	4	4	4	4	3	6	25
NO. OF PRODUCERS BUYING TAP	13	27	20	32	22	33	147
NO. OF PRODUCERS BIDDING TO BUY	33	36	22	49	95	77	312
ASSESSMENT (L) BY MONTH (15%)	231	268	196	294	266	412	1,667
FOR EXISTING PRODUCERS WAITING LIST 5%	79	92	68	100	90	140	569
FOR PRODUCERS WITH <300(L) TAP 5%	76	88	64	97	88	136	549
FPR NEW PRODUCERS WAITING LIST 5%	76	88	64	97	88	136	549
MARKET CLEARING PRICE $/PER LITRE	$225.01	$219.50	$190.00	$175.00	$190.10	$210.10	

DESCRIPTION	1990 FEB	MAR	APR	MAY	JUN	JUL	TOTALS FOR 12 MONTHS
LITRES OFFERED FOR SALE	6,105	5,989	7,034	6,821	5,297	3,296	75,253
LITRES SOLD (85%)	3,019	1,951	1,472	2,161	2,567	1,887	22,569
LITRES BID TO BUY	5,718	3,448	3,337	3,320	3,089	2,269	43,484
LITRES BOUGHT	2,997	2,119	1,566	1,947	2,654	1,869	23,143
NO. OF PRODUCERS OFFERING FOR SALE	17	12	17	15	14	6	170
NO. OF PRODUCERS SELLING TAP	11	4	7	6	8	5	66
NO. OF PRODUCERS BUYING TAP	37	42	25	24	30	25	330
NO. OF PRODUCERS BIDDING TO BUY	88	55	50	42	37	29	613
ASSESSMENT (L) BY MONTH (15%)	527	343	256	377	448	331	3,949
FOR EXISTING PRODUCERS WAITING LIST 5%	185	117	88	129	154	111	1,353
FOR PRODUCERS WITH <300(L) TAP 5%	171	113	84	124	147	110	1,298
FPR NEW PRODUCERS WAITING LIST 5%	171	113	84	124	147	110	1,298
MARKET CLEARING PRICE $/PER LITRE	$235.89	$225.00	$232.51	$230.00	$226.51	$215.00	

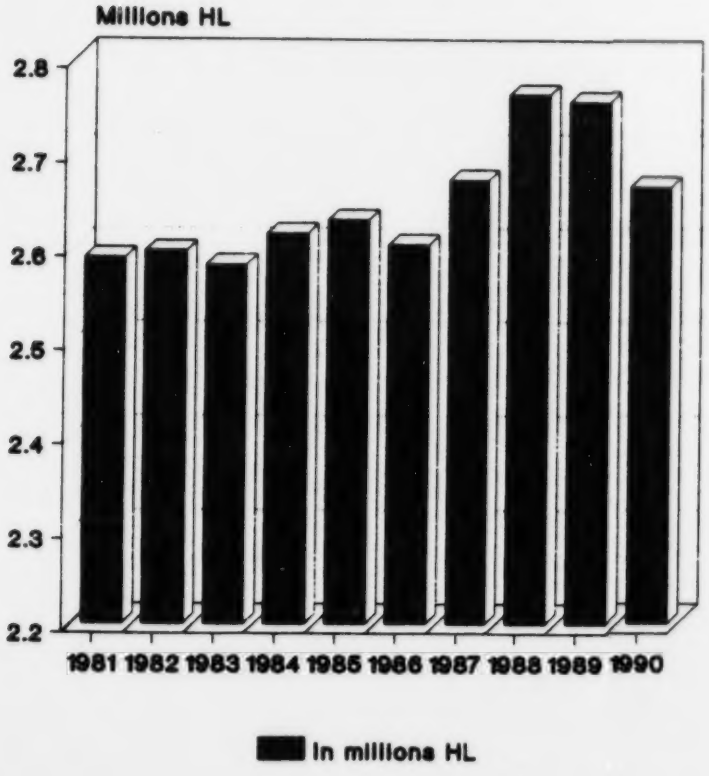
REVIEW OF MILK PRODUCTION AND MARKETING

Manitoba milk production for the dairy year ending July 31, 1990 was 266,576,525 litres which was a decrease of 9,019,148 litres or 3.27% over the previous dairy year. Manitoba milk producers shipped an average of 22,214,710 litres per month. The lowest production on a daily average was 689,203 in July, 1990 and the highest daily average was 751,529 litres in January, 1990.

Manitoba's average butterfat test for the 1989/90 dairy year was 3.70337 kg/HL up 0.03291 kg/HL over the previous dairy year.

Canadian markets for most industrial milk products remained the same or increased slightly in the past year except for butter which was down 4%. This decrease in butter consumption coupled with the consumer trend to "low-fat" dairy products are the main reasons for the decline in domestic requirements. In addition, the rising skim-off from fluid products is accelerating this decline in domestic requirements.

MANITOBA MILK PRODUCTION
for latest 10 quota periods



MANITOBA MILK POOL RESULTS

MANITOBA MILK POOL RESULTS
August 1989 to July 1990
Total Manitoba Production – 266,576,525

Basis 3.6 KG/HL

	Litres each Class	Value per HL	Net Pool Revenue
Class 1	107,262,189	$57.31	
Class 2	7,449,620	45.76	
Class 2A	10,650,354	45.05	
Class 2B	6,665,998	44.83	
Class 3	44,390,539	40.88	
Class 3A	29,910,033	41.50	
Class 4	5,449,952	42.50	
Class 5	38,424,390	41.07	
Class 6	101,107	40.93	
Class 7	(209,893)	40.51	
Meter Shrinkage	112,063	0.00	
Unsaleable	269,041	40.93	
Production within T.A.P./D.E.	250,475,393	$48.46472	
Less Diversion Costs		0.03971	
Meter Shrinkage		(0.00124)	
Pool Administration		0.14000	
MFC Laboratory Charge		0.06997	
Price/HL within T.A.P./D.E.		$48.21624	$120,769,821.96
Price/HL production over D.E.	1,692,217	$40.62675	687,492.74
Price/HL production over T.A.P.	14,396,808	$40.63006	5,849,432.36
Price/HL Institutional	12,107	$40.29198	4,878.15
TOTAL POOL	266,576,525		$127,311,625.21
TOTAL POOL 1988/89	275,595,673		$129,403,916.14

FLUID AND INDUSTRIAL UTILIZATION SUMMARY

Man. Production Within 100% T.A.P.		252,179,717	100.0000%
Less litres ineligible for Subsidy:			
Class 1 Sales	107,262,189		
Add 7.3% for creams	7,831,176	115,093,365	45.6394%
Balance used for manufactured products (eligible for subsidy)		137,086,352	54.3606%
Over/T.A.P. Production		14,396,808	

Average butterfat content 3.70337 kg/HL in Manitoba Production

PRICES PAID BY PROCESSORS FOR EACH CLASS OF UTILIZATION
(Dollars per hectolitre)

	June 1989	September 1989	June 1990	September 1990
Class 1	57.31	57.31	57.31	57.31
Class 2	45.38	45.77	45.77	47.01
Class 2A	44.67	45.06	45.06	46.30
Class 2B	44.45	44.84	44.84	46.08
Class 3	40.56	40.56	40.95	42.06
Class 3A	41.17	41.17	41.56	42.74
Class 4	42.21	42.21	42.60	43.84
Class 5	40.68	41.07	41.07	42.31
Class 6	40.56	40.56	40.95	42.06
Class 7	40.56	40.56	40.95	42.06

FEDERAL SUPPORT PRICES & SUBSIDIES

FEDERAL DAIRY PRODUCT SUPPORT PRICES
1983 – 1990
(Dollars per kilogram)

	Skim Milk Powder	Butter	Cheddar Cheese
August 1, 1983	2.72	4.55	1.32
January 1, 1984	2.42	4.60	1.32
April 1, 1984	2.79	4.71	1.32
August 1, 1984	2.85	4.784	1.32
August 16, 1985	2.922	4.929	1.32
August 1, 1986	2.978	5.035	1.32
February 1, 1988	3.013	5.102	1.32
August 1, 1989	3.046	5.167	1.32
August 1, 1990	3.130	5.331	1.32

FEDERAL SUBSIDIES PAYABLE ON INDUSTRIAL MILK DELIVERIES WITHIN M.S.Q.
(Dollars per unit)

	Milk HL	Butterfat kg
August 1, 1983	6.03	1.675
August 1, 1984	6.03	1.675
August 1, 1985	6.03	1.675
August 1, 1986	6.03	1.675
August 1, 1987	6.03	1.675
August 1, 1988	6.03	1.675
August 1, 1989	6.03	1.675
August 1, 1990	6.03	1.675

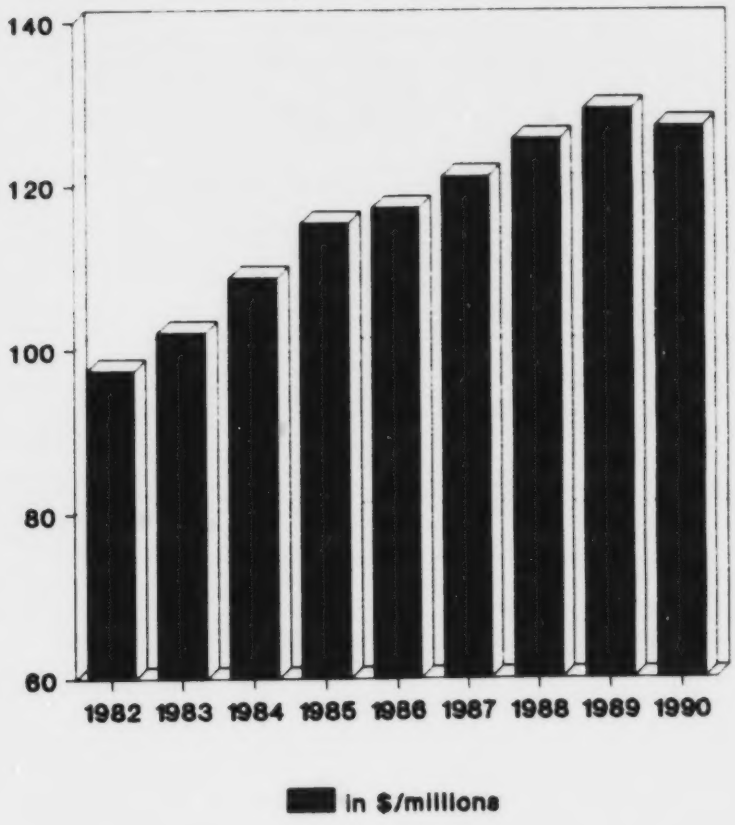
MILK PRICING

INDUSTRIAL MILK

August 1, 1990 - target price for industrial milk rose 2.6% from $47.45/HL to $48.69/HL of milk containing 3.6 kg of butterfat. Support price for butter increased from $5.167 to $5.331/kg and support price for skim milk powder rose from $3.046 to $3.130/kg. Processor margin has been set at $7.34/HL, up from $7.15.

The C.D.C. sets the target price for industrial milk and the support prices for butter and skim milk powder, after receiving advice from a consultative committee. Support prices are the prices at which the C.D.C. offers to purchase domestically produced butter and skim milk powder. In fact, they act as floor prices in the wholesale trade of these two products.

MANITOBA TOTAL POOL REVENUES
for quota years 1982 to 1990.



FARM SEPARATED CREAM PRODUCTION

The "special block" of cream Market Share Quota (M.S.Q.) (1,170,300 kg) was reduced by 1.3% to 1,155,400 for the new dairy year commencing August 1, 1989, reflecting a national decrease in domestic requirements.

There was an allocation of 9650 kg of cream M.S.Q. issued to 193 producers effective August 1, 1989, from the existing cream producers waiting list for additional quota (50 kg each).

Effective February 1, 1990 the special block of cream quota was reduced further to reflect a 3% decline in domestic requirements for the 1989/90 dairy year (from 1,155,400 kg to 1,136,100 kg). Due to under-production year-to-date, it was not necessary to roll back individual producers' M.S.Q.

CREAM QUOTA POLICY for the 1989/90 dairy year was as follows effective August 1, 1989:

1. M.S.Q. levels issued to producers remain unchanged.
2. Board administrative levy 6.5¢/kg; Market Expansion 2¢/kg
3. Over-quota levy $4.00/kg

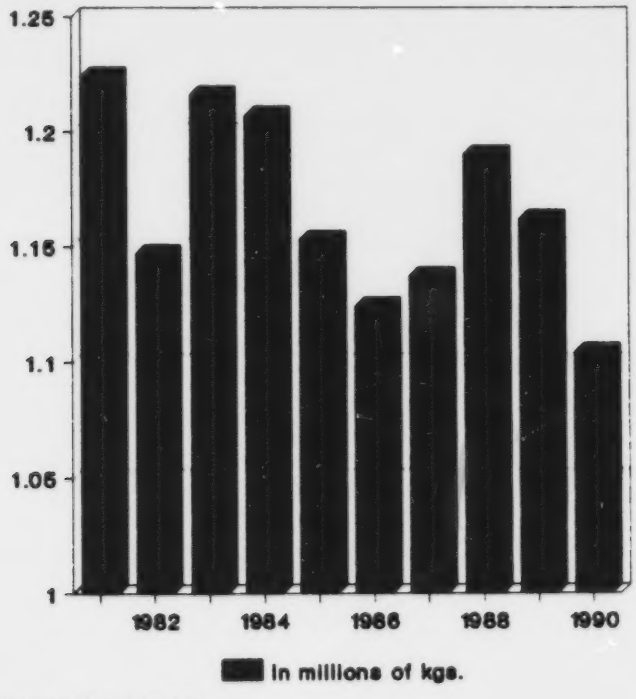
Producers were advised there would be no over-quota levy refunds after year-end. Board staff processed 260 permanent transfers and 326 temporary transfers during the year. Two new policies for cream were introduced effective August 1, 1990:

1. Cream Conversion Policy
2. Cream Monthly Quota Exchange

Cream quota policy effective August 1, 1990 as follows:

1. M.S.Q. levels issued August 1, 1990 remain unchanged.
2. Board administration levy 6.5¢/kg.
3. Market Expansion levy 2¢/kg.
4. Over-Quota levy $4.00/kg.

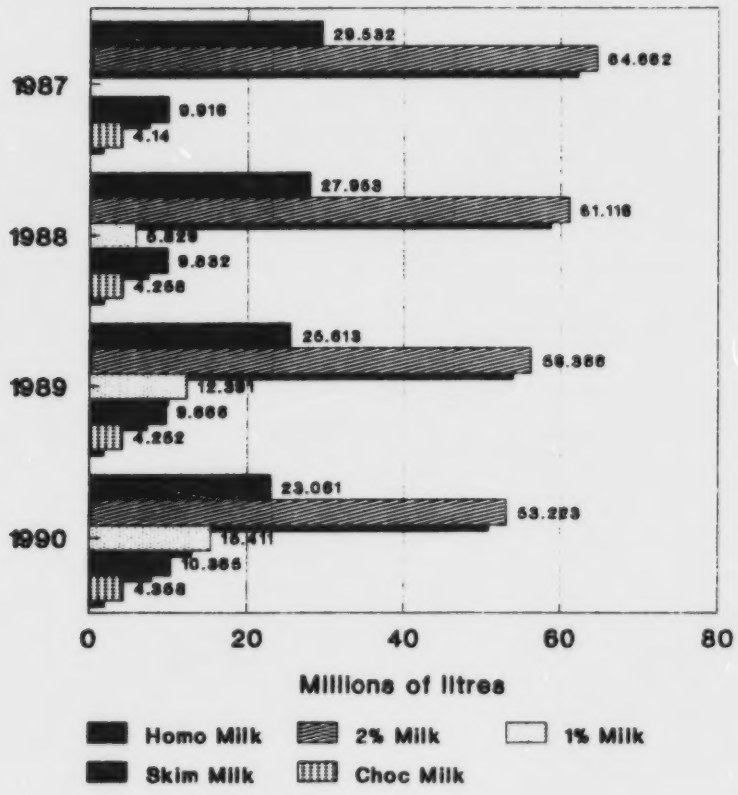
MANITOBA CREAM PRODUCTION FOR
QUOTA YEARS 1981 TO 1990



Years ending July 31st.

MANITOBA CLASS 1 FLUID MILK SALES

For quota periods 1987 to 1990



Years ending July 31st.

MAY & EILER

CHARTERED ACCOUNTANTS
WINNIPEG AND ALTONA
MANITOBA

W.C.MAY, C.A.
L.K. EILER, B.A., C.A.

To the Registered Producers of The Manitoba
Milk Producers' Marketing Board:

We have examined the consolidated statement of financial position of The Manitoba Milk Producers' Marketing Board as at July 31, 1990 and statements of operations of milk pool, administrative, transportation, quota exchange, market expansion and northern allowance funds and MFC Testing and Research Inc. and consolidated statement of changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Board as at July 31, 1990 and the results of its operations and the changes in its cash position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May + Eiler

Chartered Accountants

Winnipeg, Manitoba
September 17, 1990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 1990

Exhibit A

	1990	1989
CURRENT ASSETS:		
Cash	$ 2,218,310	$ 1,952,258
Accounts receivable	10,446,847	10,568,893
Prepaid expenses	93,318	84,404
Total current assets	12,758,475	12,605,555
CURRENT LIABILITIES:		
Producer cheques – unissued	9,099,291	9,099,629
Accounts payable and accrued liabilities	3,441,996	4,036,154
Total current liabilities	12,541,287	13,135,783
WORKING CAPITAL (deficiency)	217,188	(530,228)
PROPERTY, BUILDING AND EQUIPMENT:		
Cost	1,617,728	1,578,419
Less accumulated depreciation	380,981	286,006
Net property, building and equipment	1,236,747	1,292,413
REGISTERED PRODUCERS' EQUITY AND CAPITAL EMPLOYED	$ 1,453,935	$ 762,185
Represented by retained income (deficit) in following:		
Board funds –		
Milk Pool Administration (Ex.C)	2,220,349	1,612,991
Board General (Ex.C)	(605,697)	(650,720)
Market Sharing Plan (Ex.C)	(79,695)	(81,191)
Transportation (Ex.D)	–	–
Quota Exchange (Ex.E)	260,920	115,395
Market Expansion (Ex.F)	–	–
Northern Allowance (Ex.G)	47,988	41,747
	1,843,865	1,038,222
Subsidiary Company –		
MFC Testing and Research Inc. (Ex.H)	(389,930)	(276,037)
	$ 1,453,935	$ 762,185

Approved by the Members ,

Louis Balcaen

Charles Knockaert

STATEMENT OF MILK POOL FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit B

	1990	1989
INCOME:		
Milk sold to processors	$129,611,518	$131,202,458
Total income	129,611,518	131,202,458
DISTRIBUTION:		
Payments to producers	114,022,748	115,146,368
Deductions for Board controlled funds:		
Milk Pool Administration (Ex.C)	373,207	417,801
Board General (Ex.C)	517,158	562,216
Market Sharing Plan (Ex.C)	212,079	222,918
Market Expansion (Ex.F)	1,979,076	1,700,040
Transportation (Ex.D)	5,609,318	5,754,164
Northern Allowance (Ex.G)	73,042	75,513
Deductions determined by others:		
Canadian Dairy Commission	6,424,397	7,183,454
Manitoba Milk Recording Corporation	79,973	19,754
Keystone Agricultural Producers	57,075	-
Other deductions:		
Quality penalty levy (Ex.C)	76,920	27,930
MFC Testing and Research Inc. (Ex.H)	186,525	92,300
Total distribution	129,611,518	131,202,458
UNDISTRIBUTED INCOME FOR THE YEAR	-	-
UNDISTRIBUTED INCOME AT BEGINNING AND END OF THE YEAR	$ -	$ -
VOLUME OF MILK (in thousand litres)	266,577	275,596

STATEMENT OF ADMINISTRATIVE FUNDS OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit C

	Milk Pool Administration	Board General	Market Sharing Plan	Total 1990	Total 1989
INCOME:					
Deductions (Ex.B)					
Milk producers	$ 373,207	$ 517,158	$212,079	$ 1,102,444	$ 1,202,935
Quality penalties	76,920	–	–	76,920	27,930
Cream producers	–	–	64,210	64,210	45,310
Interest	476,631	–	–	476,631	22,232
Other	–	10,043	–	10,043	2,393
Excess over quota levy retained	234,714	–	–	234,714	–
	1,161,472	527,201	276,289	1,964,962	1,300,800
EXPENSE:					
Annual meetings	–	30,458	–	30,458	17,444
Antibiotic milk losses	112,527	–	–	112,527	–
Communication	24,012	14,615	13,855	52,482	66,966
Data processing	14,900	–	9,856	24,756	12,184
Depreciation	20,373	4,969	10,932	36,274	32,622
Members (Note 4)	–	192,198	21,158	213,356	230,544
Memberships	–	46,464	–	46,464	35,118
Milk sample costs	41,370	–	–	41,370	–
Occupancy	22,944	5,596	12,311	40,851	69,121
Office supplies	24,428	5,803	8,871	39,102	52,784
Professional fees	13,049	115,966	23,500	152,515	367,710
Grants	–	32,700	–	32,700	30,663
Salaries and benefits	287,329	49,523	158,573	495,425	540,604
Staff travel	8,015	18,246	12,178	38,439	25,004
Other	21,239	22,990	3,559	47,788	38,628
Recovered (Note 1C)	–	(57,350)	–	(57,350)	(112,993)
	590,186	482,178	274,793	1,347,157	1,406,399
NET INCOME (LOSS) FOR THE YEAR	571,286	45,023	1,496	617,805	(105,599)
PAYMENT TO RETIRED PRODUCERS (Note 5)	37,266	–	–	37,266	(490,265)
APPROPRIATION (TO) FROM OTHER FUNDS	(1,194)	–	–	(1,194)	65,297
RETAINED INCOME (DEFICIT) AT BEGINNING OF THE YEAR	1,612,991	(650,720)	(81,191)	881,080	1,411,647
RETAINED INCOME (DEFICIT) AT END OF THE YEAR	$ 2,220,349	$ (605,697)	$ (79,695)	$ 1,534,957	$ 881,080

STATEMENT OF TRANSPORTATION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit D

	1990	1989
INCOME:		
Producer deductions (Ex.B)	$ 5,609,318	$ 5,754,164
EXPENSE:		
Transporter payments:		
Assigned plant deliveries	5,409,617	5,604,305
Diversions	105,701	140,801
Extra pick-up	4,000	5,008
Professional fees	-	4,050
Salaries and benefits	90,000	-
	5,609,318	5,754,164
NET INCOME FOR THE YEAR	-	-
RETAINED INCOME AT BEGINNING OF THE YEAR	-	-
RETAINED INCOME AT END OF THE YEAR	$ -	$ -

STATEMENT OF QUOTA EXCHANGE FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit E

	1990	1989
INCOME:		
Administration fees on quota reallocated	$ –	$ 4,200
Quota sales to successful buyers	5,012,585	4,901,028
Interest income	26,131	782
	5,038,716	4,906,010
EXPENSE:		
Quota purchases from successful sellers	4,893,191	4,854,976
NET INCOME FOR THE YEAR	145,525	51,034
RETAINED INCOME AT BEGINNING OF THE YEAR	115,395	64,361
RETAINED INCOME AT END OF THE YEAR	$ 260,920	$ 115,395

STATEMENT OF MARKET EXPANSION FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit F

	1990	1989
INCOME:		
Producer deductions – (Ex.B)	$ 1,979,076	$ 1,700,040
Cream	22,087	23,236
Interest income	–	472,873
	2,001,163	2,196,149
EXPENSE:		
Media advertising –		
National – Dairy Bureau of Canada	1,191,077	1,352,791
Provincial	199,334	202,654
Depreciation	13,417	12,066
Members' per diem and travel (Note 4)	6,021	5,978
Occupancy	15,109	25,672
Postage and telecommunication	23,669	24,940
Special event sponsorship	39,589	57,520
Promotional Materials	228,684	178,239
Salaries and benefits	206,339	201,387
Staff travel	35,019	21,957
Other	44,099	47,648
	2,002,357	2,130,852
(LOSS) NET INCOME FOR THE YEAR	(1,194)	65,297
APPROPRIATION (TO) FROM MILK POOL ADMINISTRATION FUND	1,194	(65,297)
RETAINED INCOME AT BEGINNING OF THE YEAR	–	–
RETAINED INCOME AT END OF THE YEAR	$ –	$ –

STATEMENT OF NORTHERN ALLOWANCE FUND OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit G

	1990	1989
INCOME:		
Producer deductions (Ex.B)	$ 73,042	$ 75,513
EXPENSE:		
Payments to northern producers	66,801	69,993
NET INCOME FOR THE YEAR	6,241	5,520
RETAINED INCOME AT BEGINNING OF THE YEAR	41,747	36,227
RETAINED INCOME AT END OF THE YEAR	$ 47,988	$ 41,747

STATEMENT OF MFC TESTING & RESEARCH INC. OPERATIONS
FOR THE YEAR ENDED JULY 31, 1990

Exhibit H

	1990	1989
INCOME:		
Component testing fees –		
Producer deductions (Ex.B)	$ 186,525	$ 92,300
Processor collections	–	97,652
Other	159,805	41,534
	346,330	231,486
Less paid to other testing laboratories	–	63,335
	346,330	168,151
EXPENSE:		
Board members' per diems and travel (Note 4)	1,489	3,875
Courier service	35,617	5,735
Data processing	4,690	3,518
Depreciation	45,284	40,591
Insurance and maintenance contracts	1,650	4,999
Interest (Note 1C)	32,426	77,223
Laboratory supplies	56,804	45,084
Management fee (Note 1C)	–	15,000
Occupancy (Note 1C)	24,924	20,770
Office supplies	4,855	7,384
Other	5,323	2,345
Professional fees	56,009	121,426
Salaries and benefits	188,624	118,151
Travel	2,528	2,087
	460,223	468,188
Less government assistance (transitional costs)	–	24,000
	460,223	444,188
(LOSS) FOR THE YEAR	(113,893)	(276,037)
(DEFICIT) AT BEGINNING OF THE YEAR	(276,037)	–
(DEFICIT) AT END OF THE YEAR	$ (389,930)	$ (276,037)

CONSOLIDATED STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED JULY 31, 1990

Exhibit I

	1990	1989
OPERATING ACTIVITIES:		
(Loss) net income of funds –		
Administrative funds (Ex.C)	$ 617,805	$ (105,598)
Transportation fund (Ex.D)	–	–
Quota exchange fund (Ex.E)	145,525	51,034
Market expansion fund (Ex.F)	(1,194)	65,297
Northern Allowance fund (Ex.G)	6,241	5,520
Milk pool fund (Ex.B)	–	–
	768,377	16,253
(Loss) of subsidiary –		
MFC Testing and Research Inc.	(113,893)	(276,037)
	654,484	(259,784)
Non-cash items included in above –		
Depreciation	94,975	85,279
	749,459	(174,505)
INVESTING ACTIVITIES:		
Purchase of property, building and equipment	(39,309)	(382,622)
	(39,309)	(382,622)
FINANCING ACTIVITIES:		
Payment to retired producers	37,266	(490,265)
	37,266	(490,265)
INCREASE (DECREASE) IN WORKING CAPITAL POSITION FOR THE YEAR	747,416	(1,047,392)
CASH PROVIDED BY (USED IN) OPERATION OF NON-CASH WORKING CAPITAL COMPONENTS	(481,364)	(754,604)
INCREASE (DECREASE) IN CASH POSITION FOR THE YEAR	266,052	(1,801,996)
CASH POSITION AT BEGINNING OF THE YEAR	1,952,258	3,754,254
CASH POSITION AT END OF THE YEAR	$ 2,218,310	$ 1,952,258

( ) denotes use of cash

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 1990

1. SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

The Manitoba Milk Producers' Marketing Board is responsible under the statutes of Manitoba for the control and regulation of the marketing of milk in the province.

(a) MILK POOL FUND

Selling prices - The value of milk sold to processors is determined by its final product use. The Board sets the prices charged to processors except for Class I milk which is set by the Manitoba Milk Prices Review Commission. For purposes of accountability to producers the Board credits income from processor sales to a milk pool fund.

Cost of sales - Income from processor sales in the milk pool fund referred to above is paid to the individual producers based on the quality and quantity of milk shipped.

The operation of the milk pool is accounted for in Exhibit B.

(b) PRODUCER DEDUCTION FUNDS

Operating Expenses - The Board is authorized through provincial statute to deduct fees from producer milk pool payments to cover operating expenses. Such deductions are accounted for separately in Exhibits C, D, F, G and H.

(c) BASIS OF CONSOLIDATION

The Board and its wholly owned subsidiary MFC Testing and Research Inc. are considered to be one economic entity for accounting purposes. Accordingly, these financial statements are presented on a consolidated basis. However certain transactions between the Board general fund and the subsidiary cannot be eliminated in the respective statements of operations because the Board, by government regulation, follows the fund basis of accounting. The resulting related party transactions not eliminated on consolidation are as follows:

	1990	1989
Management fees	$ -	$ 15,000
Interest	32,426	77,223
Occupancy	24,924	20,770
	$ 57,350	$ 112,993

(d) PROPERTY, BUILDING, EQUIPMENT AND RELATED DEPRECIATION

Property, building and equipment are stated at cost. Depreciation is provided for on the straight-line basis over an estimated life of five years for office equipment, ten years for laboratory equipment and thirty years for the building.

(e) INCOME TAXES

The Board's subsidiary company is a taxable Canadian corporation accounting for income taxes under the tax allocation method. The subsidiary incurred losses in 1989 and 1990 which are not certain of utilization. Accordingly the tax reductions that may result from the application of these losses have not been recognized in the accounts as explained in Note 6.

2. COMMITMENTS:

Operating lease for office equipment at base rental of $10,665 per annum until March, 1994.
Lease payments in the next 5 fiscal years are:
1991 - $11,277; 1992 - $12,856; 1993 - $14,655; 1994 - $9,209; 1995 - nil

3. PENSION PLAN:

Employees of the Board participate in the Manitoba Civil Service Superannuation Board pension plan which is a defined benefit plan. The Board participates in the plan on a defined contribution basis whereby it contributes to the plan a fixed amount equal to the amount contributed by the employees.

4. ELECTED MEMBERS PER DIEM AND TRAVEL EXPENSES:

Members are paid a per diem of $153 ($146 - 1989) and the Chairman $192 ($183 - 1989) for time spent at meetings or on business matters of the Board. In addition, the Chairman is paid an annual stipend of $20,000.

	Per Diem	Expenses
L. Balcaen - Chairman	$ 62,188	$ 21,544
C.J. Knockaert - Vice Chairman	14,845	7,707
C. Finnie - Executive Member	14,235	11,991
N. Andrew	10,011	8,506
R. Dueck	2,926	830
A. Ens	7,818	5,236
A. Goresky	7,409	3,145
K. Leppky	4,197	2,360
N. Van Ryssel	11,407	8,396
J. van den Ham	9,311	6,804
	$ 144,347	$ 76,519
1989	$ 157,050	$ 83,347

5. GOVERNMENT ASSISTANCE:

In 1989 the Board concluded and dismissed its actions as the plaintiff in a lawsuit in exchange for future government assistance to benefit the dairy industry generally. The government assistance has an estimated monetary value of $2,254,000.

The amount of government assistance received by the Board in 1990 was $72,332. The amount has been applied to reduce related operating costs of the Board. The government assistance is in the form of grants conditional on the expenditure of funds by the Board on specified matters.

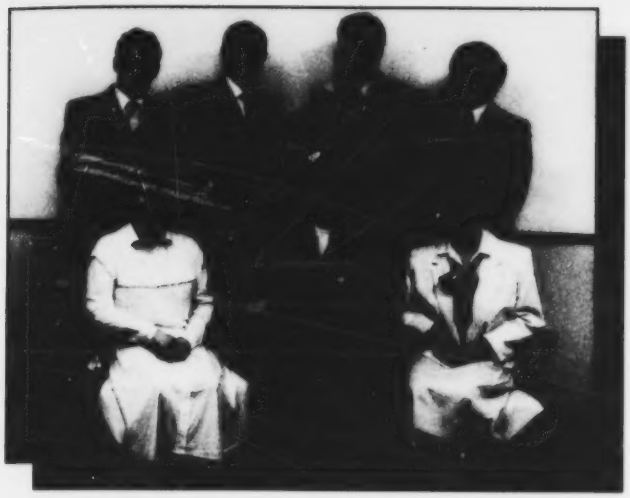
1980 to 1983 producers who have retired and not benefited from the government assistance are being compensated. Compensation paid to July 31, 1990 totalled $452,998.

6. INCOME TAXES:

MFC Testing and Research Inc. is a taxable Canadian corporation. The potential income tax benefits associated with its operating losses of $389,930 are not recognized in the accounts because of the uncertainty of utilization. The losses are available to reduce taxable income of future years but their availability will expire after 1997.

7. COMPARATIVE FIGURES:

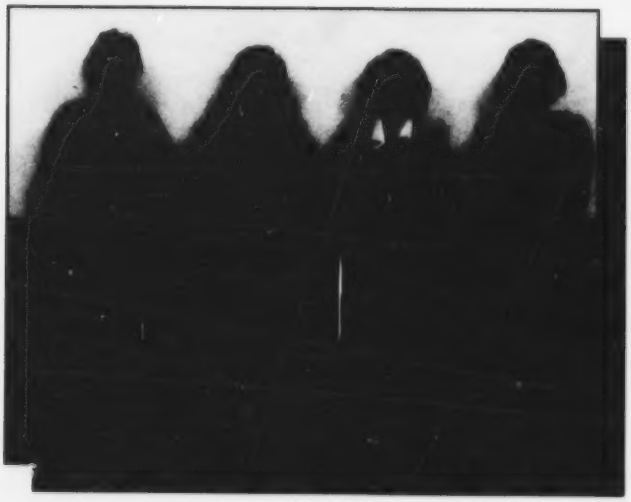
Certain of the 1989 comparative figures have been reclassified to conform with the current year's presentation.



Back Row (Left to Right):
Art Meadows, Jack Sinnock, James Wade, Wayne English

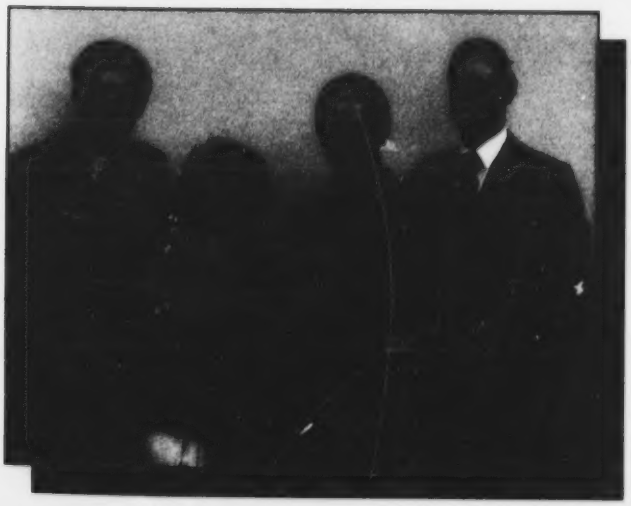
Front Row (Left to Right):
Karen Bergmann, Mrs. R.L. Seekings, Margaret Ramlal

Missing: Enrique Magat, Sue Jollymore



Back Row (Left to Right):
Gail Norris, Colleen West, Audrey Gale, Bette-Lea Fraser

Front Row (Left to Right):
Pat McCarthy Briggs, Marci Elliott, Marilyn Adam, Bernice McLaren



Left to Right:
Alan Forrest, Olga Komoski, John Breckman, Raymond Rudy